

## Message Text

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71

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 OES-06 INT-05 FEA-01 PA-02 PRS-01 AGR-10 /116 W

----- 119624

R 251405Z AUG 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 4875

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY PANAMA

AMEMBASSY CARACAS

UNCLAS SAN JOSE 4133

GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS: EINV, ENRG, CS, VE

SUBJECT: ECONOMIC CONSEQUENCES OF ODUBER'S VISIT TO VENEZUELA

1. SUMMARY: THE VENEZUELAN AND COSTA RICAN GOVERNMENTS,  
AS A RESULT OF PRESIDENT ODUBER'S RECENT VISIT TO CARACAS,

HAVE DECIDED NOT TO PROCEED WITH THE LONG DISCUSSED PRO-  
POSAL TO BUILD A VENEZUELAN-FINANCED PETROLEUM REFINERY HERE.  
INSTEAD, VENEZUELA REPORTEDLY HOPES TO FINANCE EXPANSION  
OF FOOD PRODUCTION IN COSTA RICA FOR THE VENEZUELAN  
MARKET. IF IT PROVES FEASIBLE, THE NEW PROPOSAL,  
IN THE EMBASSY'S OPINION, WOULD BE MUCH MORE BENEFICIAL TO  
THE TWO COUNTRIES THAN NOW DISCARDED REFINERY PROPOSAL.  
END SUMMARY.

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2. IN A PRESS CONFERENCE ON AUGUST 16, IMMEDIATELY AFTER

HIS RETURN FROM VENEZUELA, PRESIDENT ODUBER TOUCHED ON THE ECONOMIC CONSEQUENCES OF HIS VISIT TO VENEZUELA. HE SPOKE FIRST OF THE AGREEMENTS REACHED TO CONTINUE LOANS TO COSTA RICA FROM THE VENEZUELAN INVESTMENT FUND. THE FUND WAS SET UP AT THE PUERTO ORDAZ MEETING IN 1974 TO ASSIST CARIBBEAN OIL-IMPORTING COUNTRIES WHOSE OIL IMPORT BILL HAD SUDDENLY SHOT UP AS A RESULT OF THEIR PRINCIPAL SUPPLIER, VENEZUELA, GOING ALONG WITH OPEC PRICE INCREASES. UNDER THE AGREEMENT, COSTA RICA BECAME ELIGIBLE FOR UP TO \$72 MILLION IN LOANS OVER A PERIOD OF SIX YEARS BEGINNING IN 1975. DURING 1975, COSTA RICA BORROWED \$16 MILLION FROM THE FUND. THE VENEZUELAN MONEY BORROWED IN 1975 HAS BEEN USED BY COSTA RICA EXCLUSIVELY FOR COUNTERPART FUNDS TO WORLD BANK, INTER-AMERICAN DEVELOPMENT BANK AND AID LOANS. THESE LOANS, IN TURN, HAVE BEEN APPLIED TO A WIDE VARIETY OF BASIC PROJECTS SUCH AS THE NEW PORT AT CLADERA, THE ROAD FROM SIQUIRRES TO LIMON, IMPROVEMENTS TO THE INTERNATIONAL AIRPORT, AND AGRICULTURAL DEVELOPMENT.

3. ACCORDING TO ODUBER'S STATEMENT, THE AGREEMENT FOR CONTINUING THE LOANS FROM THE VENEZUELAN FUND WILL PERMIT CONTINUATION OF WORK ON THE ARENAL DAM HYDROELECTRIC PROJECT, AND WILL PROVIDE COUNTERPART FUNDS FOR ADDITIONAL LOANS FOR THE PORT OF CALDERA, AND FOR THE SAN JOSE TO SIQUIRRES ROAD. HE EXPECTS THAT AN ADDITIONAL \$15 MILLION OF THE \$56 MILLION STILL AVAILABLE IN FINANCING WILL ENTER COSTA RICA SHORTLY.

4. HE ALSO SAID THAT HE AGREED WITH VENEZUELAN TECHNICIANS THAT CONSTRUCTING A SECOND REFINERY, SUCH AS THE ONE VENEZUELA HAD CONTEMPLATED FINANCING IN COSTA RICA, WAS NOT JUSTIFIED AT THE MOMENT. RATHER, HE SAID, THE EMPHASIS SHOULD BE ON BUILDING UP ACTIVITIES MORE SUITABLE TO COSTA RICA'S NATURAL POSSIBILITIES. THUS, HE SPOKE OF COSTA RICA BECOMING A REGIONAL SUPPLIER OF AGRICULTURAL PRODUCTS, IN PACE WITH DEVELOPMENT OF ITS AGROINDUSTRY.

5. CONTINUING TO SPEAK IN THE SAME VEIN, ODUBER DESCRIBED THE IMMINENT VISIT OF GENERAL PAYARES AND OTHER EXPERTS FROM VENEZUELA TO LOOK INTO THE POSSIBILITY OF SIGNING A CONTRACT FOR VENEZUELAN PURCHASES OF COSTA RICAN AGRICULTURAL AND LIVESTOCK

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PRODUCTS. ODUBER EXPLAINED THAT UNDER THE CONTRACT VENEZUELA WOULD FINANCE THE CULTIVATION OF CERTAIN PRODUCTS WHICH WOULD THEN BE GUARANTEED A MARKET WITHIN VENEZUELA. HE ADDED THAT THIS ARRANGEMENT COULD REACH GIGANTIC PROPORTIONS, PERHAPS INVOLVING NAMUCAR (NAVIERA MULTINACIONAL DEL CARIBE), THE MULTI-NATIONAL SHIPPING COMPANY, WHOSE SHIPS WOULD TRANSPORT THE PRODUCTS TO VENEZUELA AND RETURN WITH SHIPMENTS OF FERTILIZERS. ODUBER CONCLUDED THAT IF COSTA RICA COULD ENTER

THE U.S. MARKET, AS IT HAS, THERE IS NO REASON WHY IT CANNOT,  
IN LIKE MANNER, OPEN UP A GREAT MARKET IN VENEZUELA. TODMAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC COOPERATION, HEAD OF GOVERNMENT VISITS, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 AUG 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976SANJO04133  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760325-0155  
**From:** SAN JOSE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760821/aaaaarnp.tel  
**Line Count:** 117  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morandr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 APR 2004 by ReddocGW>; APPROVED <25 JAN 2005 by morandr>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONOMIC CONSEQUENCES OF ODUBER'S VISIT TO VENEZUELA  
**TAGS:** EINV, ENRG, CS, VE, (ODUBER QUIROS, DANIEL)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006